

FINANCIAL STATEMENT ANALYSIS & FOOTNOTE DISCLOSURE REQUIREMENTS

Power Marketing Administration (PMA) and Federal Energy Regulatory Commission (FERC) financial statement analysis and footnotes must be submitted by July 18, 2006, for 3rd quarter statements and October 19, 2006 for year-end statements to the Office of Financial Reporting and Analysis (FRAD), CF-11/GTN, to the attention of Jeffrey Carr. Please note that some of the analyses/footnotes **are not required for 3rd quarter reporting**. The requirements for 3rd quarter and/or year-end are noted for each specific analysis/footnote.

I. Financial Statement Analysis

PMAs/FERC are responsible for the analysis of their principal statements as well as certain suspense and miscellaneous account balances. The principal statements are available from the Standard Accounting and Reporting System (STARS). Refer to Attachment 3 for a listing of available reports to be used for the financial statement analysis. Requests for user IDs to access STARS reports can be obtained via the Management Information Systems Application Gateway at <http://mis.doe.gov>.

A. Analysis of Suspense Accounts (required for year-end only)

Analyze and provide an explanation for balances in any Standard General Ledger Accounts (SGLs) used for suspense.

B. Abnormal Account Balance Analysis (required for 3rd quarter and year-end)

Analyze, provide an explanation and resolve any significant account balances with an abnormal balance (i.e., a debit balance in an account that should have a credit balance or vice-versa). Also, all abnormal balances for intragovernment SGL accounts will need to be corrected or explained, as appropriate, at the trading partner DFF level.

C. Tiepoint Analysis (required for 3rd quarter and year-end)

Automated tie point comparisons can be found at the bottom of the STARS financial statements. Each office should research all tie point differences identified below and make appropriate correcting entries.

1. Compare Balance Sheet Assets to Liabilities and Equity
2. Compare Balance Sheet to Statement of Changes in Net Position
3. Compare Statement of Financing to Statement of Net Costs

4. Review “Other Line to be Reconciled” on the Statement of Changes in Net Position to ensure that it equals zero.

D. Significant Changes in Financial Statement Balances (required for 3rd quarter and year-end)

PMAs/FERC should analyze the Balance Sheet, Statement of Net Costs, Statement of Changes in Net Position, and Statement of Financing at the allottee level and provide an explanation for any significant change (greater than \$20 million) for each line between the FY 2006 balances and the related balance from the FY 2005 financial statements. Explanations are not required for the following lines: fund balance with Treasury, investments, regulatory assets, deferred revenues, environmental liabilities, pensions and other actuarial liabilities, contingencies, unexpended appropriations, cumulative results of operations, and prior period adjustments. However, it should be noted that, even though offices are not being required to provide explanations for significant changes in the above accounts, KPMG auditors may require explanations for specific differences.

The Treasury system used by FRAD to input data for the Federal Report of the United States requires all balance changes greater than 10 percent to be explained. Additional information on significant balance changes may be requested from the PMAs/FERC to meet this requirement.

PMAs/FERC should also analyze and provide applicable explanations, at the allottee level, a trial balance by SGL/Trading Partner to identify any significant account balance changes by Trading Partner.

Please ensure that all explanations are thorough and state not only what has changed but also provide adequate detail as to why the significant change occurred. PMAs/FERC are reminded that the significant account balance change analysis is an important internal control for financial reporting, and is a management responsibility that cannot be substituted by work performed by our independent auditors.

E. Trading Partner Analysis (required for 3rd quarter and year-end)

PMAs/FERC should review and analyze the Trading Partner Exception reports and clear out all outstanding balances. Questions regarding these reports and the analysis should be directed to Scott Chayette on (301) 903-9705 or Marion Hoch on (301) 903-4216.

F. Other Accounting Data Errors (required for 3rd quarter and year-end)

Provide an explanation for significant accounting data errors, if any, not already identified in any of the previous analysis steps.

G. Reconciliation of Cash Balances (required for 3rd quarter and year-end)

PMAs/FERC should compare their cash balances in STARS for disbursing Treasury Appropriation Fund Symbols (TAFS) to cash balances from Treasury. If they do not agree, PMAs/FERC should submit adjusting entries.

II. Footnote Disclosure Requirements

NOTE A – Contingencies (*required 3rd quarter and for year-end*)

The legal representation letter process will generate the necessary information to prepare this footnote disclosure at the Headquarters level. The Legal Representation Letter call issued by Jim Campbell on April 10, 2006, requested the general counsel at each PMA/FERC to provide a narrative description of contingent liabilities as part of the legal representation letter process. The call also requested the completion of Attachment C, which requires commitments to be reported by year. The PMA/FERC General Counsel should coordinate with their respective PMA/FERC Chief Financial Officer prior to submitting this information to the Financial Reporting and Analysis Division (FRAD) and the Office of Inspector General (OIG). The requirement for you to provide a list of all cases falling below the threshold has been eliminated. However, if KPMG later decides that they want this information, they will be undertaking separate audit inquiries at select sites.

NOTE B – Intra-Governmental Transactions (*required for 3rd quarter and year-end*)

During the quarterly reconciliation of intragovernmental balances, the Department receives requests from other Federal agencies to confirm quarterly or year-end intra-governmental balances. PMAs/FERC may be asked to provide the necessary detailed breakout of these transactions to assist FRAD in this effort.

Additionally, any amounts reported with a Trading Partner of “00” – Unidentified should be analyzed to determine whether a more appropriate Trading Partner code can be utilized. If assistance is needed in determining the proper Trading Partner Code to use, please call Marion Hoch on 301-903-4216.

Please use the excel template for Intra-Governmental Transactions to explain all “Unidentified” amounts.

NOTE C - Property, Plant, and Equipment (PP&E) (*required for 3rd quarter and year-end*)

The PP&E analysis ensures consistency with data contained in the Balance Sheet and Statement of Financing.

Each allottee is required to analyze and correct any tie point problems identified on their STARS PP&E Roll Forward Report. Offices are also required to breakout the net amount on the PP&E

Roll Forward Report by its components of PP&E and Accumulated Depreciation. Please use the excel template for PP&E to document this breakout. If any SGLs are missing from the template, or if you have additional questions, please contact Greg Dulovich on (301) 903-4701 or Marion Hoch on (301) 903-4216.

Note D – Regulatory Assets (required for 3rd quarter and year-end)

This footnote disclosure should be completed by Bonneville Power Administration (BPA) and Western Area Power Administration (WAPA) only using the Excel template provided. If you have additional questions, please contact Deanna Ammons on (301) 903-5374.

Note E – Debt (required for 3rd quarter and year-end)

Please use the Excel template provided to document your response. The ending balance for each category of debt on the footnote schedule should equal the total future principal payments for each category of debt in the supplemental table. If you have any additional questions, please contact Deanna Ammons on (301) 903-5374.

Note F - Commitments/Leases (required for year-end only)

Commitments are long-term contractual agreements entered into by the Federal Government, such as operating leases and undelivered orders that become liabilities when required actions or conditions under the agreements have occurred. The following information is required.

1. Capital leases (Assets) - Provide the Federal and non-Federal amounts for capital leases and accumulated depreciation/amortization, by the major asset categories. Please use the excel template for Capital Leases - Assets to document your response.

Also, for capital leases greater than \$5 million, provide disclosures for the major asset categories included in the template to identify funding commitments associated with the lease terms such as: the basis for contingent rental payments, existence and terms of renewal options or purchase options, escalation clauses, contingent rentals restrictions imposed by lease agreements, and the amortization period.

2. Capital leases (Liabilities) – Please use the excel template for Capital Leases – Liabilities to document your response.
 - a. Provide the Federal and non-Federal amounts of future minimum lease payments, imputed interest, and executory costs including any profit for the current and prior years.
 - b. Provide the future lease payments, imputed interest, and executory costs

by major asset category, for all noncancellable leases with terms longer than one year.

3. Operating leases – Please use the excel template for Operating leases to document your response.
 - a. Provide the Federal and non-Federal amounts of future operating lease payments for the current and prior years
 - b. Provide the future lease payments by major asset category, for all noncancellable leases with terms longer than one year.

Also, for operating leases greater than \$5 million, provide disclosures for the above major asset categories to identify funding commitments associated with the lease terms such as: the basis for contingent rental payments, existence and terms of renewal options or purchase options, escalation clauses, contingent rentals restrictions imposed by lease agreements, and the amortization period.

4. Other commitments – The Legal Representation Letter call issued by Jim Campbell on April 10, 2006, requested that your General Counsels provide a schedule (Attachment C) of your commitments by year as part of their response to FRAD and the OIG. In addition to that schedule, we need the PMAs/FERC to provide a separate schedule as part of their footnote disclosures. This schedule should provide the Federal and non-Federal amounts of these commitments. Use the excel template for Other Commitments to document your response. If you have any questions, please contact Jeffrey Carr on (301) 903-2506 or Greg Dulovich on (301) 903-4701. The total amount of commitments in each category on the schedule provided by your General Counsel should equal the total amount of commitments in each category on this footnote disclosure template.
5. DOE as Lessor – Use the excel template for DOE Lessor to document your response.
 - a. Capital leases - Provide future projected receipts by major asset category for all noncancellable leases with terms longer than one year..
 - b. Operating leases - Provide future projected receipts by major asset category for all noncancellable leases with terms longer than one year.

PMAs/FERC must ensure that the footnote information provided is consistent

with related amounts reported on their financial statements. Please note that the amount reported for operating leases will not tie to a specific SGL account since we do not capture this information in STARS. Please direct questions related to the closing package to Marion Hoch on (301) 903-4216 or Deanna Ammons on (301) 903- 5374.

6. Reclassification/Correcting Entries for Capital Leases - There are certain Standard General Ledger (SGL) accounts that should be used to record capital lease accounting transactions including the following:

18100000	Assets Under Capital Lease
18190000	Accumulated Depreciation on Assets Under Capital Lease
2940F000	Capital Lease Liability, Covered by Budgetary Resources
2940U000	Capital Lease Liability, Not Covered by Budgetary Resources

PMAs/FERC should ensure that any capital leases are reported using these SGLs.